**Gordon R. Evans**
Vice President
Federal Regulatory

1300 I Street, NW, Suite 400 West
Washington, DC 20005

Phone 202 515-2527
Pager 888 802-1089
Fax 202 336-7922
gordon.r.evans@verizon.com

March 7, 2002

**Ex Parte**

William Caton
Acting Secretary
Federal Communications Commission
445 12th St., S.W. – Portals
Washington, DC 20554

**Re: Merger Conditions, *Bell Atlantic/GTE Merger Order*, CC Docket No. 98-184, ASD File No. 00-30**

Dear Mr. Caton:

In response to questions from Ms. Mattey, Verizon is providing the enclosed. Please let me know if you have any questions.

Sincerely,

Enclosure

cc: T. Dale
C. Mattey
M. Stone

**Gordon R. Evans**
Vice President
Federal Regulatory

1300 I Street, NW, Suite 400 West
Washington, DC 20005

Phone 202 515-2527
Pager 888 802-1089
Fax 202 336-7922
gordon.r.evans@verizon.com

March 7, 2002

Ms. Carol Mattey
Deputy Chief, Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

**Re: Merger Conditions, *Bell Atlantic/GTE Merger Order*, CC Docket No. 98-184, ASD File No. 00-30**

Dear Ms. Mattey:

This letter is to address questions raised by Commission staff regarding whether Verizon's investment in NorthPoint Communications Group, Inc. ("NorthPoint") may be counted toward the merger conditions regarding out-of-region expenditures, and out-of-region facilities expenditures.[1]

As you know, Verizon invested in NorthPoint pursuant to a planned merger between the two companies. *See generally Verizon/NorthPoint Joint Application to Transfer Control*, CC Docket No. 00-157 (filed Aug. 24, 2000). Prior to the planned close of the merger, and in accordance with the Merger Agreement, Verizon made an initial payment to NorthPoint of $150 million. The merger never closed, however, because Verizon exercised its legal right to terminate the merger agreement and related financing agreement due to a material adverse effect in NorthPoint's business, operations, and financial conditions. NorthPoint entered Chapter 11 bankruptcy, and Verizon was forced to write off its investment in the company.

Although Verizon ultimately retained no value for its investment in NorthPoint, based on the plain language of the *Merger Conditions*, Verizon should receive credit for those portions of its NorthPoint investment that are attributable to out-of-region and out-of-region facilities expenditures. Verizon made this investment in good faith with the expectation that the investment would result in the acquisition of customers outside the Verizon operating area. Like any investment a business makes, there is always a risk the investment may not yield the desired outcome.

---

1 *See Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control*, 15 FCC Rcd 14032, App. D, ¶¶ 35-38, 43-48 ("*Merger Conditions*").

The Merger Conditions define an "Out-of-Region Expenditure" as money Verizon "will *spend* . . . to provide services, including resale, that compete with traditional local telecommunications services offered by incumbent local exchange carriers or to provide Advanced Services to the mass market ('Competitive Local Service') outside the Bell Atlantic and GTE Service Areas ('Out-of-Region Markets'), within the United States." *Merger Conditions*, App. D, ¶ 43 (footnote omitted) (emphasis added). A "Facilities Expenditure" is money "used to construct, acquire, lease, use, *obtain*, or provide facilities, operating support systems, or equipment that are used to serve customers in Out-of-Region Markets." *Id.*, App. D, ¶ 44 (emphasis added). Verizon did "spend" money to "obtain" "facilities, operating support systems, or equipment that are used to serve customers in Out-of-Region Markets." *Id.*, App. D, ¶¶ 43, 44. That the final merger was never completed does not alter the fact of Verizon's payment. As a result, Verizon should receive the appropriate credit for this expenditure.

Sincerely,

cc: Anthony Dale
Mark Stone